



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food

**Timothy - Full Production
Creston
Summer 1994**

Agdex 120 - 810

Introduction

The planning process provides producers with the opportunity to look at their operation as a group of distinct enterprises. Alternative enterprises should be evaluated on the basis of **Contribution Margin**, taking into consideration resource constraints, market opportunity, risk and uncertainty.

The **Contribution Margin** must provide funds for interest, overhead and other indirect expenses as well as a return for living expenses, loan repayment and investment. These items should be included in the overall farm plan which will include a **Projected Income Statement** and **Projected Cash Flow Budget**.

Key Factors Affecting Profit

	Target
Yield	550 lbs./acre
Price	\$.35-.90(US\$/lb.

Yields are affected by proper and timely fertilizer application. Proper post-harvest crop residue management is essential for maximizing yields in the following year. Burning of crop residue after harvest is the most effective and economical method, but farmers are under pressure to reduce burning. Fields not burned show yield decreases in the succeeding year of up to 90% due to increased rodent and disease damage.

Marketing Alternatives

Timothy for seed is grown primarily for the Japanese market and is contracted through U.S. seed dealers. Contracts are normally for four years. Contracts guarantee acceptance of production only, not price. Prices are set at the time of delivery.

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc				34*					33			33
%Exp			60		20		20					

The above information indicates the timing of monthly flow of funds included in the contribution margin only. A complete **Projected Cash Flow** should include indirect expenses, capital sales and purchases, loans and personal expenses. *Received in the following year.

Rules of Thumb

Machinery Investment	<\$1,100/acre
Direct Expenses % of Income	50 - 60%

The above indicators are provided for comparison purposes. They are set out as potential targets for timothy production.

Contact: DON LOW, P.Ag.
District Agriculturist
Creston
BOB CHEATLEY, P.Ag.
Farm Management Branch
Abbotsford
Prepared By: ANDREA GUNNER, P.Ag.

TIMOTHY

Target Yield - 550 lbs./acre

Contribution Margin 1 Acre of Timothy in Creston

Total Income

	Yield	Price	Unit	Income
Timothy	550	\$.63	lb.	\$344.65

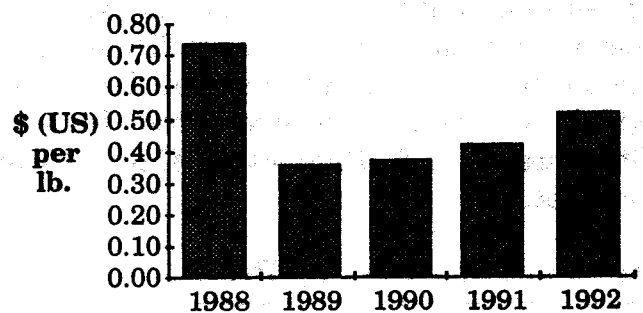
Direct Expenses

	Quantity	Price	Unit	Expense
Fertilizer				
27 - 9 - 9 - 5	300	\$.13	lb.	\$38.10
Pest Control				
Mecoprop	2.5	6.40	litre	16.00
2,4D	/5	5/20	litre	2.60
Fuel, Oil & Lube				16.40
Equipment Repair & Maintenance				19.05
Marketing				
Seed cleaning and preparation				75.00
Total Direct Expenses				\$167.15
Contribution Margin				\$177.50

Buildings & Machinery Replacement Cost Total Farm Size - 400 Acres Timothy Acreage - 100 Acres

Machinery Shed	\$15,000
Power Machinery	100,000
Field Machinery	77,000
Harvesting Machinery	120,800
Small Tools and Other	5,000
Vehicles	<u>98,000</u>
Total	\$415,800

Timothy Prices



Contribution Margin - Sensitivity Analysis

The table below lists the changes to contribution margin as yield changes and price received varies.

Price \$/lb.	Yield Lbs. per Acre				
	250	400	550	700	850
.35	(80)	(27)	25	78	130
.50	(42)	33	108	183	258
.63	(11)	83	178	271	365
.80	33	153	273	393	513

This information is provided as a guideline only. Target yield indicates above average production. An individual crop plan should be developed by each producer. Planning forms may be obtained from your local office of the B. C. Ministry of Agriculture, Fisheries and Food.